

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05

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DEPT PLEASE PASS EXIMBANK

E.O.. 11652: NA

TAGS: EFIN, GB

SUBJECT: AUSTERITY MEASURES ANNOUNCED BY GOG MINISTRY OF FINANCE

SUMMARY: BROAD RANGE OF AUSTERITY MEASURES ANNOUNCED IN RECENT TELEVISED SPEECH BY MINISTER OF FINANCE JEROME OKINDA ARE DESIGNED TO BRING GABON'S DEBT UNDER CONTROL AND PROVIDE FOR BETTER DEBT MANAGEMENT. OKINDA'S SPEECH EMPHASIZED TEMPORARY NATURE OF GOG'S FINANCIAL PROBLEMS AND APPEALED TO ALL FOR COMPLETE COOPERATION. END SUMMARY.

1. FINANCE MINISTER JEROME OKINDA MADE TELEVISED SPEECH JULY 25, IN WHICH HE OUTLINED SERIES OF AUSTERITY MEASURES EFFECTIVE IMMEDIATELY AND CONTINUING THROUGH 1981. OBJECT OF MEASURES IS TO SOLVE NUMEROUS CURRENT ECONOMIC PROBLEMS BY INSURING BETTER FINANCIAL MANAGEMENT AND REDUCING PUBLIC EXPENDITURES.

2. BEFORE GOING INTO SPECIFICS OF AUSTERITY MEASURES, OKINDA BRIEFLY DESCRIBED HISTORICAL BACKGROUND LEADING TO PRESENT ECONOMIC CRISIS. GABON, HE SAID, HAD MADE INVESTMENTS DURING PAST THREE YEARS WHICH NORMALLY WOULD

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HAVE BEEN SPREAD OUT OVER TEN YEAR TIME SPAN, CAUSING RAPID INCREASE IN COST OF LIVING AND NEED FOR CONSTRAINTS TO INSURE COUNTRY'S PROMISING FUTURE. RECENT OAU EXPENDITURES REFLECTED SOLIDARITY OF COUNTRY AND ALSO GABON'S NATURAL/NATIONAL WEALTH, BUT HAD CREATED SHORT TERM PROBLEM. TO CORRECT THIS, AUSTERITY MUST NOW BE APPLIED ENERGETICALLY WITHOUT NULLIFYING PROGRAMS OF THIRD PLAN.

OKINDA ALLOWED THERE MAY BE SOME QUOTE ADJUSTMENTS UNQUOTE  
IN PLAN. AUSUTERITY MEASURES OUTLINED IN FOLLOWING  
PARAGRAPHS.

3. REDUCTION OF PUBLIC EXPENDITURES: ON DEVELOPMENT SIDE,  
NO NEW PROJECTS WILL BE UNDERTAKEN UNLESS PROVIDED FOR IN  
THIRD PLAN AND IN BUDGET. CERTAIN PROJECTS ALREADY UNDERWAY  
MAY BE CURTAILED OR DELAYED, AND COMMENCEMENT OF NEW PROJECTS  
MAY BE POSTPONED. THOSE FEW PROJECTS NOT SPECIFICALLY  
PROVIDED FOR IN PLAN BUT NOW UNDERWAY WILL GO AHEAD, HOWEVER,  
AS THEY ARE NECESSARY FOR GROWTH OF ECONOMY. TO REDUCE  
OPERATING BUDGET, EXPENDITURES FOR GOG MISSIONS ABROAD  
WILL BE REDUCED AS WILL NUMBER OF PERSONNEL. MINISTRIES  
MUST EXERCISE CONTROL OVER PROJECTS, PARTICULARLY TO AVOID  
EXCESSIVE CHARGES FOR TRANSPORT. OVERALL GOG PERSONNEL  
RECRUITMENT TO BE CONTROLLED AND QUALIFIED HIRING FREEZE  
IMPOSED. AGREEMENTS WITH CERTAIN COUNTRIES MAY  
HAVE TO BE REVISED, PARTICULARLY THOSE INVOLVING  
BRINGING EXPENSIVE TECHNICAL ADVISERS TO GABON. EXPATRIATE  
CONTRACTS MUST BE REDUCED SINCE SALARIES  
PAID ARE TOO HIGH WHEN COMPARED WITH QUALIFICATIONS  
AND THUS PRODUCE EXCESSIVE DRAIN ON GOG FINANCIAL  
RESOURCES.

4. CONTROL OF CONTRACTS: CONTROL WILL BE RIGOROUSLY  
APPLIED, AND GREATER USE OF COMPETITIVE BIDDING PROCEDURES  
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WILL BE MADE IN EFFORT TO KEEP COSTS DOWN. ALL  
CONTRACTS MUST BE APPROVED BY MINISTER OF FINANCE HIMSELF  
WHO HAS RIGHT OF VETO. PROMISSORY NOTES WILL NO LONGER  
BE ISSUED SINCE THEY SIMPLY AGGRAVATE DEBT PROBLEMS AND  
ARE MORE COSTLY THAN OTHER CONVENTIONAL FINANCING METHODS.  
COMPANIES ATTEMPTING TO USE PROMISSORY NOTE METHOD WITHOUT  
GOG APPROVAL WILL NOT BE PAID FOR ANY WORK UNDERTAKEN.

5. IMPORT DUTIES AND TAXATION: GREATER CONTROL OF IMPORT  
DUTIES WILL BE EXERCISED, EXCEPT WHEN INTERNATIONAL  
AGREEMENTS DECREE OTHERWISE. IN FUTURE, NO FURTHER IMPORT  
TAX AND DUTY EXEMPTIONS WILL BE GRANTED. TO AUGMENT GOG  
REVENUES, CURRENT INVESTMENT CODE (WHICH OKINDA DESCRIBED  
AS TOO LIBERAL) WILL BE REVISED. TARIFF RATES ARE TOO  
LOW. ACCORDING TO STUDY MADE BY OKINDA'S STAFF, SOME  
50PCT OF GABONS IMPORTS COME IN DUTY FREE OR AT GREATLY  
REDUCED TARIFFS. INCOME FROM CUSTOMS DUTY ASSESSMENTS  
HAS LEVELED OFF, WHILE AMOUNT OF IMPORTS HAS INCREASED  
CONSIDERABLY DURING RECENT YEARS.

6. CHOICE OF LOANS AND INTERNATIONAL FINANCING: ALL  
NEW LOANS MUST REPEAT MUST HAVE FOUR YEAR GRACE PERIOD.

BORROWING WILL BE RESTRICTED UNTIL 1981 WHEN GABON'S DEBT BURDEN IS LESSENED. FOR LARGE, SPECIFIC PROJECTS GABON WILL LOOK MORE TOWARD WORLD BANK, AFRICAN DEVELOPMENT BANK, ETC, SINCE THEIR INTEREST RATES ARE MORE ADVANTAGEOUS AND PAYMENTS MAY BE SPREAD OUT OVER LONGER TIME PERIOD. THIS USE WILL FREE UP PORTION OF GOG BUDGET AND WILL LESSEN IF NOT ALLEVIATE NEED FOR SHORT TERM LOANS TO TAKE CARE OF CURRENT BUDGET SHORTFALL.

7. RELATIONS WITH COMPANIES: EXPENDITURES WILL BE CONTROLLED. GOG WILL IMMEDIATELY SETTLE ALL PAYMENTS IN ARREARS TO LOCAL FIRMS FOR WORK ALREADY DONE, IN PROGRESS, OR ALREADY APPROVED. REMAINING PAYMENTS WILL BE SPREAD OUT OVER THREE TO FIVE YEAR PERIOD BEGINNING JANUARY 1, 1978, INCLUDING UNCLASSIFIED

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INTEREST ON AMOUNTS DUE. TECHNICAL SERVICES OF MINISTRIES OF FINANCE AND PLAN WILL MAKE EXHAUSTIVE STUDY OF UNPAID AMOUNTS AND WILL EXERCISE CONTROL OVER ACCOUNTS RECEIVABLE.

8. MANAGEMENT OF OCTRA FUNDS: TO INSURE BETTER MANAGEMENT OF FUNDS AND OVERALL GOG DEBT, CAISSE AUTONOME D'AMORTISSEMENT WILL NOW TAKE OVER RESPONSIBILITY FOR OCTRA FUNDS AND BORROWINGS, AS WELL AS THOSE OF OTHER ORGANIZATIONS, WHOSE RECEIPTS SOMETIMES FAIL TO ENTER NATIONAL TREASURY. OKINDA GAVE SPECIFIC EXAMPLES OF NATIONAL TELEVISION STATION, HOSPITALS, AND POLICE.

9. PRICE CONTROLS: PRICES WILL BE STRICTLY CONTROLLED SO THAT ALL CAN BENEFIT FROM RECENTLY RAISED MINIMUM WAGE (SIC).

10 OKINDA THEN CLARIFIED POINTS MADE BY PRESIDENT BONGO IN JULY 22 SPEECH RE TAXATION OF HIGH SALARIES. BASIC SALARIES AND FAMILY ALLOWANCES IN EXCESS OF 400,000 CFA PER MONTH (US DOLS 1,600) WILL NOT BE REDUCED, HE SAID, AND SPECIAL LEVY WILL APPLY ONLY TO OTHER ALLOWANCES ABOVE THAT FIGURE. HE ADDED THAT NEW MEASURES WILL AFFECT ONLY SMALL GROUP OF PEOPLE IN PUBLIC SECTOR, SOME THREE HUNDRED, WHEN COMPARED WITH TOTAL OF 18,200 EMPLOYEES OF GOG.

11. OKINDA CLOSED SPEECH BY REITERATING THAT DIFFICULTIES FACING GABON'S ECONOMY ARE TEMPORARY. AUSTERITY MEASURES, HE ADDED, WILL BE RESPONSIBILITY NOT ONLY OF MINISTRY OF FINANCE, BUT OF ALL GABONESE, AND OKINDA NOTED THAT HE EXPECTS COOPERATION OF ALL.

12. EMBASSY COMMENT FOLLOWS BY SEPTTEL. STEIGMAN UNCLASSIFIED

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